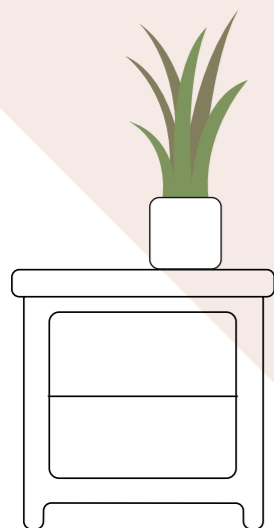


# Compact Homes in Greater Cambridge



# What are Compact Homes?



**A compact home is smaller self-contained accommodation that integrates modern high-quality design to maximise the use of space.**

This enables the homes to be rented or sold at a rate lower than local market prices. Elements of communal space may be built into the design. Their smaller size often means that financial viability improves and they can be built more centrally, on brownfield sites or previously unbuildable land. This may allow them to be closer to places of work and transport hubs.

## Who lives in Compact Homes?

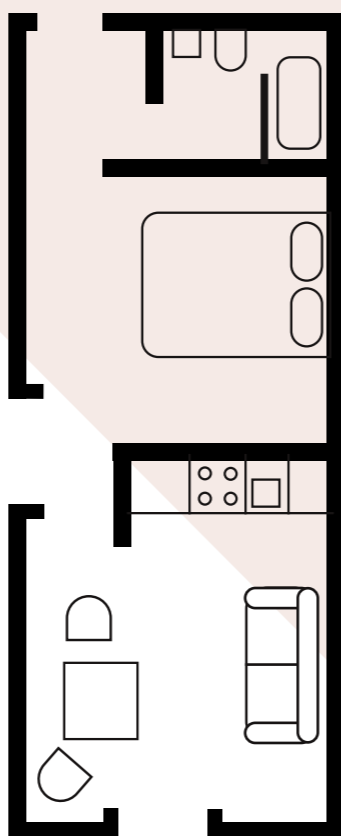
Compact homes are targeted at a younger demographic. They are more likely to value urban over suburban or rural locations. They are interested in minimising environmental impact and pursuing efficient living. They may value freedom and flexibility – for example as they move through earlier stages of their careers.

At present, the availability of high-quality independent living options for individuals on middle incomes within Cambridge does not meet demand.

Research by Centre for Cities has shown that the supply of new homes nationally is concentrated at the 50sqm and 70sqm mark – aligning with the space standards for one-bedroom flats for two people, and two-bedroom properties.

This means that there is a particular undersupply of small flats below the 50 sqm standard, which would be particularly suitable for single adults who may choose to live on their own<sup>1</sup>.

<sup>1</sup><https://www.centreforcities.org/blog/minimum-space-standards-housing-crisis/>



### Worker Bee

Rajan is a recent graduate and has moved to Cambridge to start a new job.

## Compact living is suitable for:

### Cambridge Cog

Heidi has been working in Cambridge for a few years as a healthcare worker.



### Limbo Lander

Simon grew up in Cambridge and wants to base his future here.



**This sort of housing option would be an attractive option to some of the housing tribes, which have been developed by the Cambridge Ahead Young Advisory Committee.**

Notably Rajan the 'Worker Bee', a graduate who has moved to Cambridge for work and who wants to live close to the city centre, as well as Heidi the 'Cambridge Cog', an essential worker who would like to live centrally but can't afford to, instead finding herself with a long commute alongside her already challenging work routine.

Pocket Living, a developer specialising in compact housing, states that its homes are for 'young, middle-earning Londoners who contribute to their city in so many ways but can't afford to buy their first home<sup>2</sup>.'

Pocket owners are on average 32 years old, earn £42,000 a year and have been renting in London for between five and eight years. Around 40% of their purchasers are key workers.

Whilst Pocket Living focusses on home ownership, equivalent products for rent would be accessible to those at lower average income levels.

<sup>2</sup> <https://www.housebeautiful.com/uk/lifestyle/property/a22127762/pocket-living-alternative-ownership-scheme-first-time-buyers/>



# Examples of Compact Homes

**Compact living is not commonplace in Cambridge, but there are a few examples of similar types of housing.**

Pocket Living has delivered multiple schemes across London. It targets its product at first time buyers – offering homes for at least 20% below market value to help them into home ownership.

U+I, a property developer, has explored the role of compact living, building some prototype ‘town flats’ in central London. It commissioned research to highlight their potential economic and social benefits<sup>3</sup>.

These flats would be for rental only, meaning they could not be sold on by speculators. Because of their smaller size, they could be built in central London and still be affordable for those paying the London Living Rent.

<sup>3</sup> A new perspective on Compact-living - U+I (<https://www.uandi plc.com/news-and-views/a-new-perspective-on-compact-living/>)



# Benefits of Compact Living

**The average monthly rent for a one bed property in Cambridge is £1054<sup>4</sup>, far outstripping the cost almost everywhere else in the country.**

This is a pressing issue for key workers, like teachers and nurses, younger workers and those new to the city who will be crucial to the continued growth and future success of our community and our businesses.

These groups are **ineligible for social housing or support** but many will still experience significant pressures on their living costs.

The provision of smaller, and therefore more affordable ownership or rental products in well-connected locations within walking and cycling distance from the city centre, would play a role in improving quality-of-life for this group.

This sort of housing will not be the right solution for everyone, but it can provide an important part of a range of housing options within a city like Cambridge which is facing a major affordability challenge.

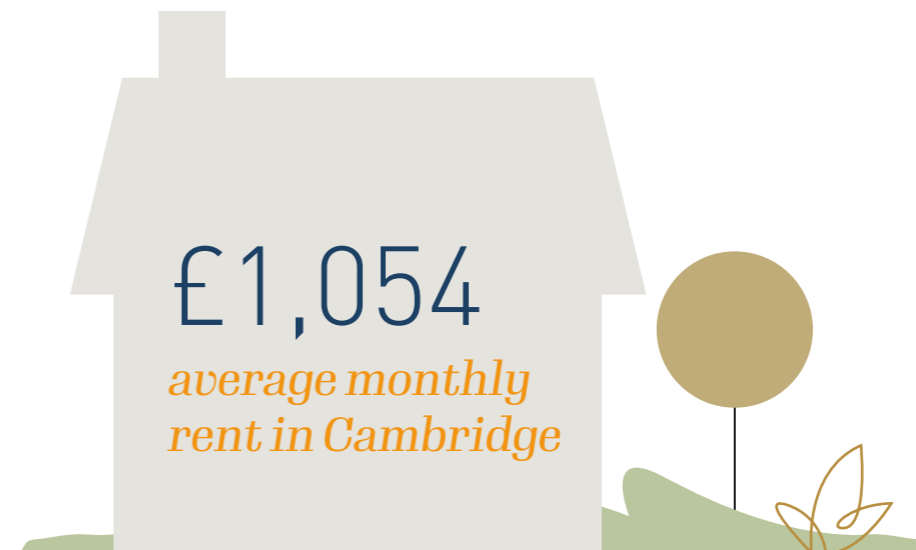
It can provide **freedom of choice** for a single adult who would rather live in a smaller independent space, rather than a house share. There is a particular opportunity to provide a housing option for key workers, who may want to live in a more central and convenient location. They are less likely to be able to work from home, so a more compact space may present less of a barrier in that respect.

Compact housing can also **support a sense of community** through the provision of well-considered and high-quality communal amenity space. By being centrally located, compact living can encourage use of sustainable transport modes.

<sup>4</sup>Private rental market summary statistics in England - Office for National Statistics (ons.gov.uk)

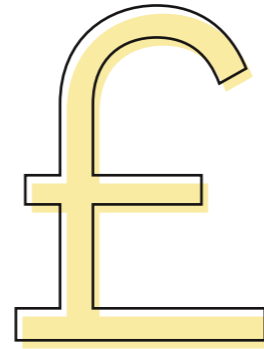
£1,054

*average monthly rent in Cambridge*



# Risks Associated with Compact Living

There are several risks associated with the development of compact homes which would need to be managed and regulated:



Units are delivered at smaller sizes but with rents charged or sales value remaining the same as larger 1 bed units on the market

A test for discounted market price should be set.

Units that are too small (under 37sqm) can have a detrimental impact on people's quality of life

Homes should remain compliant with national space standards (37sqm for those one-bedroom dwellings with a single bed space) and integrate modern high-quality design to maximise the use of space.

Units are purchased by international property investors / existing property owners

Homes should be ring fenced for city workers who don't own any property and should be targeted toward those on lower and middle incomes, with consideration given to the appropriate thresholds to be set for eligibility.

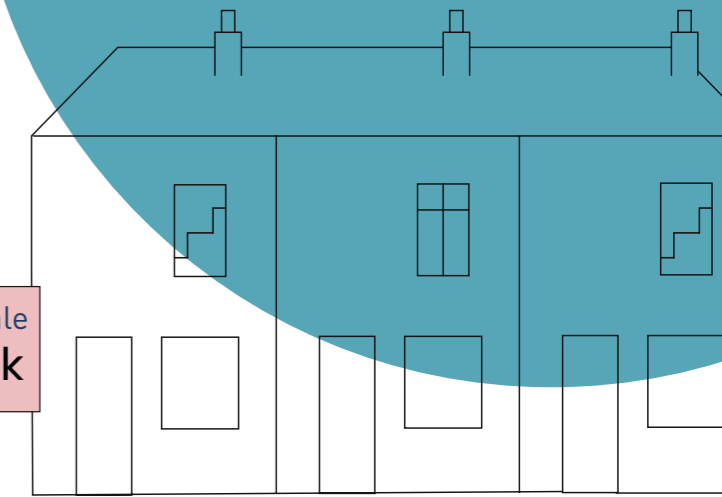
# Viability

A major challenge in the delivery of discounted rental or for sale housing is, of course, viability.

In Cambridge's constrained land market, finding suitable and viable sites is likely to be a challenge, especially if homes are to be delivered in a relatively central location.

We would recommend that further work is undertaken to explore possible links between the delivery of affordable homes and Government's new preferred affordable home ownership tenure, First Homes.

for sale  
250k



First Homes must be discounted by a minimum of 30% against market value – after the discount has been applied their price must be no higher than £250,000, National Planning Policy Guidance now requires that a minimum of 25% of all affordable homes secured through developer contributions should be First Homes.

However, Greater Cambridge Shared Planning has identified several issues and risks associated with this policy – with a series of competing pressures around affordability and viability<sup>5</sup>.

Could the delivery of Compact First Homes (a) help address viability concerns so that social / affordable rent and other s106 infrastructure requirements can be achieved on schemes overall? Or (b) enable Local Authorities to raise the discount rate to 40% - allowing a wider range of applicants to be able to afford a First Home?



<sup>5</sup><https://www.scambs.gov.uk/media/20080/greater-cambridge-first-homes-interim-position-statement-issues-and-options.pdf>

# Opportunities and Possibilities for Cambridge



**Addressing the risks and barriers to delivery of compact living could help promote these schemes in Cambridge. For example, this could be done by:**

- Building up an objective evidence base from alternative housing models in other cities and evaluating this against products' ability to meet the needs of young people in Cambridge while offering a return for developers.

- Understanding and working to streamline barriers in the planning approval process for novel housing types to reduce uncertainty around approval, with clear minimum criteria for units to maintain quality.
- Communicating the opportunities and risks of novel housing types with planners and encouraging developers to identify sites in the city which may have the potential for development into novel housing schemes.
- Seeking support from major employers, possibly in coalition, for institution-led initiatives.



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Ultimately, by supplying a diverse range of housing types, Cambridge should be better able to cater to the needs of its residents, as well as accelerate the much-needed supply of new housing by promoting a wider range of housing products which cater for those with different needs and in varying stages of life.

